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Message Text

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PAGE 01 STATE 013709

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ORIGIN TRSE-00

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 /073 R

DRAFTED BY TREASURY/OSAA:CBAZARIAN:CEJ
APPROVED BY NEA:SSOBER
NEA/ARP:FMDICKMAN
NEA/RA:HMONTGOMERY (SUBS)
E:RPOATS
EB/CSB/OSB:DBRAMANTE (SUBS)
TREASURY:LBOWDEN
COMMERCE:JHEARN
COE:MSELTZER
OPIC:HZOLA S/S:RKUCHEL
---------- 043357
P R 200033Z JAN 76
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA PRIORITY
INFO AMCONSUL DHAHRAN
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EFIN, ECRE, ECON, SA

SUBJECT: PROPOSED TEAM TO DISCUSS SURETY BONDS VS.
PERFORMANCE GUARANTEES

REFS: (A) JERUSALEM 1814; (B) STATE 254849

1. AS FOLLOW-UP TO PARSKY-ABA AL-KHAIL DISCUSSION OF
PERFORMANCE GUARANTEES IN NOVEMBER (SEE REF A), PARSKY
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PAGE 02 STATE 013709

SENT DECEMBER 29 LETTER TO ABA AL-KHAIL OUTLINING AD-

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VANTAGES OF A SURETY BOND SYSTEM AND SUGGESTED AN EXPERT INDUSTRY/GOVERNMENT TEAM VISIT SAUDI ARABIA. COPY OF LETTER WILL BE SENT IN SEPARATE MESSAGE.

2. ON JANUARY 13, 1976 TREASURY, STATE, COMMERCE, OPIC, CORPS OF ENGINEERS, AND EXIM MET WITH REPRESENTATIVES OF THE ASSOCIATED GENERAL CONTRACTORS (AGC), AND THE SURETY, AND BANKING INDUSTRIES IN ORDER TO DISCUSS POSSIBLE ALTERNATIVES TO PRESENT SAUDI CONTRACT REQUIREMENT (SEE REF B). A CONSENSUS WAS REACHED THAT A SURETY BOND SYSTEM SHOULD BE PRESENTED TO THE SAUDIS AS AN POSSIBLE ALTERNATIVE TO THE CURRENT PERFORMANCE GUARANTEE SYSTEM.

3. IT WAS AGREED AT THIS MEETING TO SEND A TEAM LED BY TREASURY AND CONSISTING OF REPRESENTATIVES OF COMMERCE,

ARMY CORPS OF ENGINEERS, POSSIBLY OPIC, THE AGC, NATIONAL CONSTRUCTION ASSOCIATION (NCA), BANKING AND SURETY INDUSTRIES TO WORK WITH EMBASSY IN DISCUSSIONS WITH SAUDIS. (GORDON DANIELS WAS BRIEFED ON THE ISSUE DURING HIS WASHINGTON CONSULTATIONS.) THE TEAM WILL BE APPROXIMATELY 10 OR 12 INDIVIDUALS IN ORDER TO GET FULL REPRESENTATION OF ALL INTERESTED PARTIES, THOUGH NOT ALL MEMBERS WILL PARTICIPATE IN ALL MEETINGS.

4. GENERAL COUNSEL OF CORPS OF ENGINEERS HAS AGREED TO ACT AS TECHNICAL ADVISOR TO TEAM. HOWEVER GIVEN SOMEWHAT INFORMAL WAY IN WHICH SAG AGREED TO PERMIT USE OF SURETY BONDS IN LIEU OF PERFORMANCE GUARANTEES ON CORPS PROJECTS, WE DO NOT WANT TO RAISE THIS USE OF SURETIES AS PRECEDENT. ACCORDINGLY, EMBASSY SHOULD NOT REFER TO CORPS PROCEDURES ON SURETIES NOR AT THIS TIME MENTION PARTICIPATION OF CORPS REPRESENTATIVE IN TEAM.

5. WE WILL SUGGEST TO SAUDIS THAT THE PERFORMANCE GUARANTEE ISSUE BE INCLUDED ON THE AGENDA FOR THE FORTH-COMING JOINT ECONOMIC COMMISSION MEETING.

6. IT IS PROPOSED THAT THE TEAM VISIT SAUDI ARABIA DURING THE WEEK OF FEBRUARY 14, 1976 IN ORDER TO SET LIMITED OFFICIAL USE

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PAGE 03 STATE 013709

THE GROUNDWORK FOR THIS ISSUE. BECAUSE OF THE URGENCY OF THE SITUATION, EMBASSY MAY WISH REQUEST MORGAN TO INFORM ABA AL-KHAIL THAT THE GOVERNMENT/INDUSTRY TASK FORCE REFERRED TO IN PARSKY'S DECEMBER 29 LETTER HAS MET AND AGREED UPON A TEAM THAT IS PREPARED TO COME, IF TIMING IS SUITABLE TO SAUDIS.

7. PLEASE RESPOND ASAP WHETHER ABA AL-KHAIL IS AGREEABLE.

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ALSO WELCOME SUGGESTIONS FROM MINISTRY OF FINANCE AND
FROM EMBASSY AS TO WHAT OTHER MINISTERS OR OFFICIALS
SHOULD BE BRIEFED BY TEAM. KISSINGER

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